

# Inspector General

United States  
Department *of* Defense



**Section 845 Annex of Audit Reports with Significant Findings**  
**April 1, 2008 - September 30, 2008**  
**DoD IG Reports**

<b>Audit Report No. D-2008-135</b>	Date: September 29, 2008
Subject: Report on Requiring the Use of Radio Frequency Identification in Contracts for Supplies	
Prepared For: Defense Logistics Agency	
Contractor: N/A	
<p>The Defense Logistics Agency made progress implementing passive Radio Frequency Identification (RFID) in the DoD supply chain; however, additional work is needed. We visited four DLA distribution depots and judgmentally sampled shipments from various suppliers. Based on our evaluation of contracts and on our sample, we found that: contracting officers awarded 23 of 220 supply contracts (10 percent) without the required RFID clause; suppliers for 84 of 197 contracts (43 percent) with the required clause did not apply passive RFID tags to shipments they sent to the depots. Therefore, it is unlikely that the Defense Logistics Agency will realize a near-term return on investment from implementing passive RFID, either monetarily or in the form of faster, more efficient shipments of supplies to the warfighter.</p>	

<b>Audit Report No. D-2008-094</b>	Date: May 20, 2008
Subject: Report on Air Force Air Combat Command Contract	
Prepared For: Air Force Air Combat Command	
Contractor: Multiple	
<p>The audit determined that the Air Combat Command and 99th Contracting Squadron officials violated the Federal Acquisition Regulation for seven of eight contracts reviewed, valued at \$57.2 million. In two contracts, contracting officers awarded contracts on a sole-source basis without seeking competition. In six contracts, a price reasonableness determination was not documented at the time of award. In an additional contract, the contracting officer awarded a contract on a best value basis without adequate documentation to support the best value decision. Also, on one of the contracts, the contracting officer did not include a standard Federal Acquisition Regulation clause limiting subcontracting when awarding a contract to an Alaska Native Corporation, thus allowing the contractor to subcontract 100 percent of the work. See the table on page 5 for a summary of the conditions found. As a result, Air Combat Command and 99th Contracting Squadron officials allowed contracts to be directed to specific contractors without obtaining the benefits of competition.</p>	

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<b>Audit Report No. D-2008-097</b>	Date: May 23, 2008
Subject: Report on Hurricane Relief Effort Costs on the Navy Construction Capability Contract	
Prepared For: Navy Facilities Engineering Command	
Contractor: Kellogg, Brown, and Root	
<p>An audit of the 3 largest task orders worth an estimated \$229 million that were issued against the Navy Construction Capability Contract to repair the Navy's damaged infrastructure after Hurricanes Ivan and Katrina support hurricane recovery efforts resulted in \$8.6 million in questioned costs. The audit determined the Navy: (1) inadvertently administered the task orders as illegal cost-plus-a-percentage-cost contracts; (2) insufficiently oversaw KBR's subcontracting process and thus, allowed KBR to award sole-source and limited competition subcontracts that paid roofers excessive hourly rates, purchased \$4.1 million of meals and services that "should have" cost approximately \$1.7 million, and inappropriately paid a markup (or profit) on material and equipment totaling \$7.2 million that increased proportionally to material and equipment costs expended in performance, a cost-plus-percentage-of-cost (CPPC) system of contracting; and (3) paid nearly all of its \$8.8 million in potential award fee for what appeared to be marginal-to-average performance.</p>	

<b>Audit Report No. D-2008-099</b>	Date: May 28, 2008
Subject: Report on Effect of Payments Into Boeing Pension Funds on Economic Price Adjustment Clauses in DoD Contracts	
Prepared For: Director, Defense Procurement and Acquisition Policy	
Contractor: The Boeing Company	
<p>The audit determined that abnormal increases in the Bureau of Labor Statistics index used in the contract economic price adjustment clauses of the Air Force C-17 Globemaster III, the Navy F/A-18 E/F Super Hornet, and the Army AH-64D Apache Longbow contracts with Boeing caused significant price increases calculated at about \$1.9 billion. Boeing's pension contributions explained more than 99 percent of the abnormal increase in the Bureau of Labor Statistics index. Using a revised index, the audit team identified contract liabilities that were more consistent with economic conditions and determined that the economic liability DoD should owe Boeing was between \$90.2 million and \$260.3 million, versus the proposed Boeing settlement amounts of \$792.9 million. As a result of the audit, an OSD/tri-Service negotiating team reached a final settlement with Boeing of \$272.3 million for the EPA liability that DoD owed Boeing, and avoided a cost of \$520.6 million for DoD and the taxpayers.</p>	

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<b>Audit Report No. 6221-2008U21000012</b>	Date: April 2, 2008
Subject: Assist Audit of Subcontractor Proposal for FCS MGV Inc 1 Common Propulsion System Hardware Requirements	
Prepared For: Defense Contract Management Agency - Detroit	
Contractor: BAE Systems Land & Armaments LP	
Report: \$5,141K Questioned, 26,644K Unsupported	
The audit of the \$53.3 million cost-plus-fixed-fee proposal resulted in \$5.1 million of questioned costs and \$26.6 million of unsupported costs. The questioned costs were primarily the result of unreasonable material and inter assembly hardware costs where data provided by BAE indicated lower cost sources than proposed. The unsupported costs were the result of outdated quotes and a bill of material that did not reconcile to the proposed costs.	

<b>Audit Report No. 1201- 2008K21000006</b>	Date: April 3, 2008
Subject: Examination of Proposal Submitted for Production of CH-47F Transportable Flight Proficiency Simulators and Spares	
Prepared For: Department of the Army, Headquarters, U.S. Army Sustainment Command	
Contractor: WestWind Technologies, Inc.	
Report: \$1,486K Questioned Costs; \$15,391K Unsupported Costs	
An audit of the \$37.6 million cost-plus-fixed fee proposal for CH-47F Transportable Flight Proficiency Simulators resulted in \$1.4 million of questioned and \$15.4 million of unsupported costs. The questioned costs were primarily the result of overstated escalation factors applied to labor rates, overstated labor hours and indirect rates applied to the questioned base amounts. The unsupported costs were the result of inadequate subcontract analysis by the contractor.	

<b>Audit Report No. 2901- 2008M21000014</b>	Date: April 3, 2008
Subject: Report on Audit of a Proposal for the Light Weight Fusion Helmet Mounted Goggles (LWF-HMG)	
Prepared For: United States Special Operations Command	
Contractor: Kollsman, Inc	
Report: \$2,542K Questioned Cost, \$10,890K Unsupported	
The audit of the \$31.1 million proposal for the Light Weight Fusion Helmet Mounted Goggles resulted in \$2.5 million of questioned costs and \$10.9 million of unsupported costs. The questioned material costs were the result of a combination of finding lower costs in the contractor's records and correcting mathematical errors found in the contractor's computations. Other material costs were classified as unsupported because of insufficient documents. Overhead rates were questioned because proposed forward pricing rates have consistently been higher than year-end actuals. Finally the contractor proposed royalty payments which may be unallowable if the product was developed under government contracts in which Kollsman was the prime or a subcontractor.	

<b>Audit Report No. 1211-2008D21000011</b>	Date: April 4, 2008
Subject: Report on Audit of Proposal for Facilities Contract Government Fiscal Years 2008 through 2012	
Prepared For: Department of the Army, Headquarters, U.S. Army Sustainment Command	
Contractor: BAE Systems, Ordnance Systems, Inc.	
Report: \$12,505K Questioned Costs; \$7,155K Unsupported Costs	
An audit of the \$213.9 million firm-fixed-price proposal for the Facility Contract for Contract Years 11 through 15 identified \$12.5 million of questioned costs and \$7.2 million unsupported costs. The questioned costs were primarily due to adjusted labor rates, questioned labor hours based on technical review, escalation factors and G&A rates applied to questioned base costs. The unsupported costs were the result of insufficient documentation for equipment replacement and plant support estimates.	

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<b>Audit Report No. 2421– 2008I22000001</b>	Date: April 4, 2008
Subject: Audit of IDIQ Proposal for Suite Integrated Radio Frequency Control (SIRFC)	
Prepared For: U.S. Special Operations Command, Technical Applications Contracting Office	
Contractor: ITT Electronic Warfare Systems	
Report: \$41,878K Questioned Costs	
The audit of the \$303.4 million firm-fixed-price proposal for Suite Integrated Radio Frequency Countermeasure resulted in \$41.9 million of questioned material and labor costs. The questioned material costs were the result of using more current purchase history and combined the requirements of separate CLINs to meet minimum buy amount. The questioned labor costs were the result of adjusting the labor mix and excluding sick, holiday and vacation time from the labor hours because they are recovered through the indirect costs.	

<b>Audit Report No. 9841-2008C27000005</b>	Date: April 4, 2008
Subject: Examination of Parts of a Proposal Submitted for the Global Positioning Satellite (GPS) IIIA System Vehicle Development and Production Program	
Prepared For: Department of the Air Force, U.S. Air Force Space and Missile Command	
Contractor: Boeing Satellite Systems, Inc.	
Report: \$23.6M questioned costs	
An audit of the \$2.6 billion Cost-Plus-Incentive-Fee/Award-Fee proposal for the production of the GPS IIIA System Vehicle resulted in questioned costs of \$23.6 million. The questioned costs were primarily the result of differences between the contractor proposed and audit determined indirect rates and applicable base differences.	

<b>Audit Report No. 6341– 2008V21000003</b>	Date: April 9, 2008
Subject: Report on Audit of CPIF Proposal for Progeny Systems Corporation	
Prepared For: Naval Sea Systems Command	
Contractor: Progeny Systems Corporation	
Report: \$12,941K Questioned; \$16,757K Unsupported	
The audit of the \$156.5 million cost plus incentive fee proposal for acoustic intercept sensors and archival media centers for submarines resulted in \$12.9 million of questioned costs and \$16.8 million of unsupported costs. Material costs were questioned due to overstated escalation, mathematical errors, a proposed contingency factor, and proposed costs in excess of available vendor quotes. Questioned labor costs were the result of using lower escalation rates than proposed by the contractor. The costs classified as unsupported were based on engineering estimates and had no cost or pricing data available to support the costs.	

<b>Audit Report No. 9841-2008C27000006</b>	Date: April 9, 2008
Subject: Examination of Parts of a Proposal Submitted for the next series of spacecraft for GOES R Series weather satellites	
Prepared For: National Aeronautics and Space Administration, NASA Goddard Space Flight Center	
Contractor: Boeing Satellite Systems, Inc.	
Report: \$68.3M questioned costs	
An audit of the \$1,205,519,004 Cost-Plus-Award-Fee proposal for the production of the GOES Series R satellites resulted in questioned costs of \$68.3 million. Questioned costs of \$12.3 million were primarily the result of differences between the contractor proposed and audited indirect rates and applicable base differences. Questioned costs of \$56 million were due to unallowable contingent management reserve costs per FAR 31.205-7(c)(1).	

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<b>Audit Report: 3321– 2003K10100003</b>	Date: April 11, 2008
Subject: Report on Examination of Combined Contractor Fiscal Year (CFY) 2003 Halliburton Corporate Home Office and Kellogg, Brown and Root Intermediate Management Home Offices Certified Final Indirect Cost Proposal	
Prepared For: Ground Systems & Munitions Division, Defense Contract Management Agency Phoenix – Houston (KBRSI)	
Contractor: Kellogg Brown and Root Services, Inc.	
Report: \$81,484K Questioned Costs	
The audit of the certified final indirect cost proposal for the 2003 home office expenses resulted in \$81.5 million of questioned costs. The majority of the questioned costs were due to failure of the contractor to provide records that adequately support the proposed costs. Unallowable contingencies/inter company markups were also questioned. In addition, the contractor did not provide a reconciliation of costs allocated from the various home offices to the segments.	

<b>Audit Report No. 2261–2008G 21000011</b>	Date: April 24, 2008
Subject: Report on Audit of JSJPM Full Rate Production Proposal	
Prepared For: Defense Contract Management Combat Vehicles – Grand Rapids	
Contractor: Avon Protection Systems, Incorporated	
Report: \$ 130,716K Questioned Costs	
The audit of the \$442.7 million fixed price incentive proposal for the Joint Service General Protection Mask identified \$130.7 million in questioned costs. The majority of the questioned costs were due to parts proposed by the contractor that will not be procured on the subject contract. In addition the G&A rate were overstated. The audit questioned bonus expenses and escalation in the G&A costs, and found the G&A base used to calculate the rate was understated.	

<b>Audit Report No. 2261–2008U22000004</b>	Date: April 25, 2008
Subject: Report on Audit of Cost plus Fixed-Fee Proposal for Contractor Logistics Support (CLS) for Deployment	
Prepared For: Department of the Army, U.S. Army Tank and Armaments Command	
Contractor: General Dynamics Land Systems Division	
Report: \$13,792K Questioned Costs	
The audit of the \$99.6 million material, other direct costs, travel, and cost per mile portion of the \$218.4 million cost-plus-fixed-fee proposal for contractor logistical support resulted in \$13.7 million of questioned costs. The questioned costs were the result of overstated airfare, a reduction in the performance period for contract labor, material now provided as government furnished material, more recent material prices and duplicated repair and overhaul costs used to develop the cost per mile rate.	

<b>Audit Report No. 3521-2008J21000005</b>	Date: April 25, 2008
Subject: Report on Audit of Proposal for Procurement of Spare Parts for Mine-Resistant-Ambush Protection Vehicles	
Prepared For: United States Marine Corps Systems Command	
Contractor: British Aerospace and Electronics Systems, Tactical Vehicle Systems, LP (BAE TVS)	
Report: \$11,615K Questioned, \$30,263K Unsupported	
The audit of the \$89.7 million firm-fixed-price proposal for the procurement of spare parts resulted in \$11.6 million of questioned and \$30.3 million of unsupported costs. The majority of the questioned costs were for indirect costs that were questioned as the result of updated rate information. In addition, the audit questioned indirect costs on parts purchased by BAE Survivability Systems which could instead be purchased by BAE TVS without the additional indirect costs. Interdivisional costs from BAE Survivability Systems were considered unsupported since an adequate proposal had not been provided.	



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<b>Audit Report No. 4461-2008B27000001</b>	Date: April 28, 2008
Subject: Audit of C-17 Indefinite Delivery Indefinite Quantity (IDIQ), Production Follow-On Buy	
Prepared For: Department of the Air Force, Headquarters Aeronautical Systems Center	
Contractor: The Boeing Company, Integrated Defense Systems-Long Beach	
Report: \$136,413K Questioned, \$67,367K Unsupported	
The audit of parts of the \$3.8 billion IDIQ proposal for twenty-two aircraft disclosed \$136.4 million of questioned costs and \$67.4 million of unsupported material costs. The majority of questioned costs were indirect costs that were the result of updated rates. The questioned material costs were the result of questioning material not needed for the current buy, or needed in lower quantities. The unsupported costs are primarily due to competitively bid sample parts not being competed within a reasonable and recent timeframe and long term agreements not being supported by current cost or pricing data	

<b>Audit Report No. 1201- 2008K21000007</b>	Date: April 29, 2008
Subject: Report on Audit of Proposal for "Innovative, Missile Design, Multi-Spectral Hardware-In-The-Loop (HWIL) Testing, Simulation, and Sensor Technology Development"	
Prepared For: U.S. Army Aviation and Missile Command	
Contractor: Digital Fusion Solutions, Inc.	
Report: \$847K Questioned Costs; \$11,922K Unsupported Costs	
An audit of the \$72.4 million cost-plus-fixed-fee proposal disclosed \$847 thousand in questioned costs and \$11.9 million in unsupported costs. Questioned costs were due primarily to adjustments to the indirect pool and allocation bases. The questioned rates resulted from an error in the contractor calculations, inadequately supported and unreasonable labor costs, and the failure to fully consider this procurement in the indirect expense allocation bases. The unsupported material costs were due to the contractor's failure to obtain adequate price competition and consider economic order quantities.	

<b>Audit Report No. 1301-2008M21000003</b>	Date: May 1, 2008
Subject: Report on Audit of Subcontract Proposal to Northrop Grumman Mission Systems	
Prepared For: Department of the Air Force, Headquarters, Ogden Air Logistics Center (AFMC)	
Contractor: Supertel Network Inc.	
Report: \$11,399K Unsupported	
An audit of the \$11.4 million firm-fixed-price and time and material proposal for RVA Hardware and Software Support resulted in a determination that the rates were not supported. The audit determined that the proposal was not acceptable as a basis for a fair and reasonable price because indirect rates and the cost of money factors were not calculated properly and they represented a significant amount of the proposed costs.	

<b>Audit Report No. 3121-2008F27000003</b>	Date: May 1, 2008
Subject: Audit Report on Parts of a Proposal - Cost Realism for Implementation Phase of the R Series of Geostationary Operational Environmental Satellites	
Prepared For: National Aeronautics Space Administration, Goddard Space Flight Center	
Contractor: Lockheed Martin Corporation	
Report: \$31,000K Questioned	
The audit of portions of the \$992.8 million cost-plus-award fee proposal resulted in \$31 million of questioned unallowable management reserve costs. The management reserve is a contingency, which is unallowable under FAR 31.205-7(c)(2).	

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<b>Audit Report No. 3141–2008N21000008</b>	Date: May 5, 2008
Subject: Report on Audit of Firm Fixed Price Proposal for Litening IDIQ, Proposal No. A3227-07	
Prepared For: Wright-Patterson Air Force Base	
Contractor: Northrop Grumman Systems Corporation Electronic Systems	
Report: \$6,227K Questioned, \$13,801K Unsupported	
The audit of the \$417.8 million indefinite delivery, indefinite quantity (IDIQ) proposal resulted in \$6.3 million of questioned costs and \$13.8 million of unsupported costs. The questioned costs were primarily the result of using recent purchase history and current vendor quotes for the proposed direct material and subcontract costs. In addition the audit found parts which were no longer required, and the opportunity to combine requirements to obtain a quantity discount. Some subcontract costs were determined to be unsupported because of the lack of current cost and pricing data.	

<b>Audit Report No. 3421–2006J22000801</b>	Date: May 6, 2008
Subject: Report on Audit of Cost Plus Award Fee/Incentive Fee Change Request, (CR) 211 of the Future Combat Systems (FCS) System Development and Demonstration (SDD)	
Prepared For: U.S. Army Tank-Automotive & Armaments Command	
Contractor: The Boeing Company, Integrated Defense Systems-Fixed Wing	
Report: \$17,952K Questioned Costs, \$5,282K Unsupported Costs	
The audit of the \$373.5 million change request proposal to adjust the manned ground vehicle (MGV) prototype vehicle resulted in \$18 million of questioned costs and \$5.3 million of unsupported costs. Most of the questioned costs were due to incorporating the results of assist audits of subcontract costs. Direct labor costs were also questioned as the result of applying the cost estimating relationships to the questioned subcontract base. Additional costs were questioned due to differences between proposed costs and the forward pricing recommended rates, and adjustments to the decrement factors. The unsupported costs were due to the lack of current cost or pricing data.	

<b>Audit Report No. 3141– 2008G21000009</b>	Date: May 7, 2008
Subject: Report on Audit of Proposal For SUU-25 F/A Flare Dispensers	
Prepared For: Department of the Army, Headquarters, U.S. Army Sustainment Command	
Contractor: Arnold Defense and Electronics, LLC	
Report: \$1,006K Questioned Costs, \$17,436K Unsupported Costs	
The audit of the \$21.5 million firm-fixed-price, indefinite-delivery, indefinite-quantity proposal for SUU-25 F/A Fare Dispenser resulted in \$1 million in questioned costs and \$17.4 million of unsupported costs. The questioned costs were primarily the result of questioning contingency costs which are unallowable in accordance with FAR 31.205-8. The proposed material costs were not supported by adequate cost or pricing data and the auditor was unable to evaluate the material costs by other audit procedures.	

<b>Audit Report No. 3231–2008R21000004</b>	Date: May 8, 2008
Subject: Report on Audit of Change Order Proposal for Ares I First Stage - Composite Frustum & Aeroshell under Contract No. NNM07AA75C	
Prepared For: National Aeronautics and Space Administration, Marshall Space Flight Center	
Contractor: Alliant Techsystems Inc., ATK Launch Systems Management	
Report: \$421K Questioned Costs, \$16,385K Unsupported Costs	
The audit of the \$14.5 million cost-plus-award-fee change order proposal to build Composite Frustums and Aeroshells resulted in \$421 thousand of questioned costs and \$16.4 million of unsupported costs. The questioned costs were the result of overstated escalation rates. The audit classified \$16.4 million of deleted costs as unsupported due to a lack of design and technical specifications available at the time of the original contract award.	



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<b>Audit Report No. 3421– 2005Q10503002</b>	Date: May 14, 2008
Subject: Report on Operations Audit of Supplier/Vendor Management Processes	
Prepared For: Defense Contract Management Agency, Boeing St. Louis	
Contractor: Integrated Defense Systems-Home Office, Boeing Company	
Report: \$17.2 Million Cost Savings for Government Contracts	
The audit of the contractor's Supplier Management and Procurement function determined that expansion of the Leverage Savings Consolidation Vision Support Plan into all procurement commodity groups could result in cost savings of \$20 million. Approximately \$17.2 million would be allocable to U.S. Government contracts.	

<b>Audit Report No. 3521-2008W27000002</b>	Date: May 16, 2008
Subject: Report on Audit of Parts of a Proposal - Cost Realism	
Prepared For: Department of the Air Force, Headquarters, Oklahoma City Air Logistics Center	
Contractor: The Boeing Aerospace Support Company (BASCO)	
Report: \$17,873K Questioned, \$1,147,348K Unsupported Costs	
The audit of parts of the \$2.3 billion firm-fixed price, time and materials and cost reimbursable proposal for KC-10 Contractor Logistics Support resulted in \$17.9 million of questioned costs and \$1.1 billion of unsupported costs. The questioned costs include questioned labor rates, questioned fringe benefit rates and application of other rates and factors to questioned base costs. The entire amount of proposed subcontract costs was classified as unsupported because BASCO did not perform a cost analysis to determine if subcontractor prices were fair and reasonable.	

<b>Audit Report No. 1301–2008W21000002</b>	Date: May 20, 2008
Subject: Audit of Proposal for Contract No. W15P7T-06-D-J405, Delivery Order No. 0024	
Prepared For: Department of the Army, Communications Electronics Life Cycle Management Command	
Contractor: DRS Tactical Systems, Inc.	
Report: \$10.9 Million Questioned	
An audit of the \$97.8 million firm-fixed-price proposal for the production of computer systems resulted in \$10.9 million of questioned costs. Material was questioned because proposed costs were not based on the lowest bid. Material handling was questioned in its entirety because it was not appropriate for Government Furnished Material. The questioned indirect rates were the difference between the proposed rates and the current Forward Pricing Rate Agreement.	

<b>Audit Report No. 1301–2008W27000001</b>	Date: May 21, 2008
Subject: Report on Audit of Parts of the Pricing Proposal for the Appliqué Computers	
Prepared For: Department of the Army, US Army Communications-Electronics Life Cycle Management	
Contractor: DRS Tactical Systems, Inc.	
Report: \$86 Million Questioned	
An audit of part the \$625.5 million firm-fixed-price, indefinite delivery, indefinite quantity proposal for 22 system components resulted in \$86 million of questioned costs. The questioned direct and indirect rates were the difference between the proposed rates and the Forward Pricing Rate Agreement. Material was questioned because proposed costs were not based on the lowest bidder. Material handling was questioned in its entirety because it was not appropriate for Government Furnished Material.	

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<b>Audit Report No. 2801–2008G21000029</b>	Date: May 22, 2008
Subject: Report on Audit of Proposal for Joint Nuclear Biological Chemical Reconnaissance System 2	
Prepared For: Department of the Army	
Contractor: Raytheon Integrated Defense Systems	
Report: \$14,722K Questioned Costs	
The audit of the \$438.9 million proposal resulted in \$14.7 million of questioned costs. The majority of the questioned costs was due to escalation on quoted material and the difference between proposed and audit adjusted material unit prices. Additional questioned costs were the result of the incorporation the latest forward pricing rate recommendation.	

<b>Audit Report No. 1721–2008D21000405</b>	Date: May 23, 2008
Subject: Report on Audit of Proposal for Advance Planning of CVN 65 Inactivation and Defueling, Solicitation No. N00024-08-R-2100	
Prepared For: Naval Sea Systems Command	
Contractor: Newport News Shipbuilding and Dry Dock Company, Northrop Grumman Newport News Sector	
Report: \$11,080K Questioned Costs	
An audit of the \$299.5 million cost-plus-fixed-fee proposal for CVN 65 Inactivation and Defueling Efforts resulted in \$11.1 million of questioned costs. The questioned labor costs were due to the use of escalation factors inconsistent with experienced factors. Other questioned costs were due to the application of indirect rates to the questioned labor costs.	

<b>Audit Report No. 3561–2008F21000023</b>	Date: May 23, 2008
Subject: Report on Audit of Firm-Fixed-Price (FFP) Value Engineering Change Proposal (VECP) Update for Phalanx Forward Looking Infrared Radar (FLIR) Redesign	
Prepared For: Naval Sea Systems Command (NAVSEA)	
Contractor: Raytheon Missile Systems	
Report: \$7,085K Questioned Costs, \$22,772K Unsupported	
The audit of the \$16,097K firm-fixed-price Value Engineering Change Proposal for an update for the Phalanx Forward Looking Infrared Radar Redesign resulted in \$7.1 million of questioned costs and \$22.8 million of unsupported costs. The questioned costs were the result of updated quotations, reclassification of direct costs, and failure to provide documentation of that non-recurring actual costs were associated with this contract. Material costs were classified as unsupported due to non-receipt of cost or pricing data or a price/cost analysis.	

<b>Audit Report No. 2801–2008G27000005</b>	Date: May 28, 2008
Subject: Audit Report on Parts of a Proposal for Integrated Air and Missile Defense, Battle Command Systems	
Prepared For: U.S. Army Aviation and Missile Command	
Contractor: Raytheon Integrated Defense Systems	
Report: \$44,417K Questioned Costs, \$58,186K Unsupported Costs	
The audit of parts of the \$702.4 million cost type proposal resulted in \$44.4 million of questioned costs and \$58.2 million of unsupported costs. The questioned material cost was the result of reviewing supporting documentation and questioning costs based on expected quantity discounts and insufficiently support for proposed complexity factors. The unsupported material costs were the result of inadequate and insufficient supporting documentation for subcontract costs.	

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<b>Audit Report No. 4181-2008D21000014</b>	Date: May 28, 2008
Subject: Report on Audit of Firm-Fixed Price Proposal for the AN/TPQ-37 Reliability, Maintainability, and Improvement (RMI) Modification Kits	
Prepared For: Headquarters, U.S. Army Communications-Electronics	
Contractor: Thales Raytheon Systems Company LLC	
Report: \$36,930K Questioned Costs	
The audit of the \$410.3 million firm-fixed-price proposal for AN/TPQ-37 Firefinder RMI Modification Kits resulted in \$36.9 million of questioned costs. The questioned costs include adjustments to the proposed raw material, subcontract, and major subcontract material costs, application of the Forward Pricing Rate Agreement to adjusted labor hours and questioned travel, shipping and spare supply costs.	

<b>Audit Report No. 4901- 2007B17100018</b>	Date: May 30, 2008
Subject: Report on Audit of Termination for Default Settlement Proposal	
Prepared For: Joint Contracting Command, Iraq-Reconstruction	
Contractor: Parsons Global Services, Inc.	
Report: \$21,991K Questioned Costs	
The audit of the \$50.7 million termination for default settlement proposal for the design and construction of a maximum/medium security prison facility resulted in \$22.0 million of questioned costs. Questioned costs included subcontract costs exceeding the fund limitations, overstated value of work completed and overstated percentage of physical completion and stored material value.	

<b>Audit Report No. 6171-2008H21000002</b>	Date: June 3, 2008
Subject: USRA NAS2-97001, MOD 169	
Prepared For: National Aeronautics and Space Administration, Ames Research Center	
Contractor: Universities Space Research Association	
Report: \$43,204K Unsupported Costs	
The audit of the \$156.7 million cost-plus-award-fee proposal for the SOFIA Science Project resulted in \$43.2 million of unsupported cost. Costs for the service subcontracts were unsupported because the proposed costs were for future procurement of science instruments and for upgrades for existing instruments that have yet to be developed.	

<b>Audit Report No. 2361-2008R21000014</b>	Date: June 6, 2008
Subject: Proposal for Engineering OMNIBUS VII	
Prepared For: Naval Sea Systems Command	
Contractor: General Dynamics Electric Boat	
Report: \$222.1 Million Questioned Costs	
The audit of the \$1.9 billion cost-plus-fixed-fee proposal for support for the Nuclear Powered Strategic/ Attack Submarines and Submersible systems resulted in \$104.2 million of questioned direct material and \$117.9 million of questioned direct labor and indirect costs. The questioned material was the result of differences in forecast bases. The auditor considered a labor hour base more appropriate than the labor cost base used by the contractor since the labor costs contained escalation and economic assumptions not applicable to non-labor costs. The questioned labor and indirect costs are the result of differences between the proposed costs and the recommended Forward Pricing Rates.	

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<b>Audit Report No. 2421–2008D27000001</b>	Date: June 6, 2008
Subject: Review of ODC, Labor Rates, Labor Salaries and Indirect Rates	
Prepared For: United States Army, USA MED Research ACQ Activity	
Contractor: Barr Laboratories Inc.	
Report: \$1,671K Questioned Costs, \$17,104K Unsupported Costs	
The audit of parts of the \$62.9 million firm-fixed-price proposal for low rate initial production of tablets combating Endovirus resulted in \$1.7 million of questioned costs and \$17.1 million of unsupported costs. The questioned labor rates, indirect rates and Other Direct costs were questioned because of support data was outdated. In addition, a significant portion of the proposed costs were unsupported due to lack of support for assumptions made by the contractor.	

<b>Audit Report No. 3511–2008B22000002 (Revised)</b>	Date: June 6 2008
Subject: Report on Audit of Firm-Fixed-Price Proposal for H-1 Lot 5 Aircraft	
Prepared For: Naval Air Systems Command	
Contractor: Bell Helicopter-Textron, Inc.	
Report: \$43,799K Questioned Costs, \$13,943K of Unsupported Costs	
The audit of the \$305.5 million firm-fixed-price proposal for UH-IY and AH-1Z Lot 5 Aircraft resulted in \$43.8 million of questioned costs and \$13.9 million of unsupported costs. The questioned cost was the result of a price concession by a subcontractor; using lower escalation assumptions than was proposed; applying learning curves to labor hours; and applying current indirect rates. The unsupported cost reflected the lack of current, accurate and complete subcontractor cost or pricing data.	

<b>Audit Report No. 4461– 2008A17900003</b>	Date: June 6, 2008
Subject: Audit of the Delta IV Tooling Amortization Value	
Prepared For: SMC/LRSW/PK	
Contractor: Integrated Defense Systems-Huntington Beach	
Report: \$12,361K Questioned Costs	
The audit of the \$205.2 million incurred Delta IV development tooling costs resulted in \$12.4 million of questioned costs. Questioned costs were the result of unverified direct material purchases, and tools no longer being used, but included in the amortization value.	

<b>Audit Report No. 6161–2008A21000001</b>	Date: June 6, 2008
Subject: Audit of Price Proposal of Route Clearance Equipment Contractor Logistics Support Services	
Prepared For: U.S. Army TACOM Life Cycle Management Command	
Contractor: ManTech International Corporation (MIC)	
Report: \$30,933K Questioned Costs	
The audit of the \$852.3 million time and material, firm-fixed-price proposal for Route Clearance Equipment Contractor Logistics Support Service resulted in \$30.9 million of questioned costs. Questioned direct labor costs were due to the differences between the actual labor rates and the payroll general ledger labor rates. Questioned indirect rates were due to direct costs being included in the pool of the special allocation indirect rate.	

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<b>Audit Report No. 3321-2003K10100001</b>	Date: June 13, 2008
Subject: Report on Examination of Kellogg Brown and Root Services, Incorporated (KBRSI), dba Brown and Root Services Operations (BRSO), Contractor Fiscal Year (CFY) 2003 Incurred Costs	
Prepared For: Defense Contract Management Agency Phoenix – Houston (KBRSI)	
Contractor: Kellogg Brown and Root Services, Incorporated	
Report: \$80,158K Questioned Cost	
The audit of the 2003 indirect cost rate proposal resulted in \$80.2 million of questioned costs. The questioned costs were the result of inadequate supporting documentation for direct and indirect costs, airfare on non-U.S. flag carriers, unallowable armed private force protection costs, and understated overhead and G&A allocation bases.	
<b>Audit Report No. 4901– 2007B17100019</b>	Date: June 13, 2008
Subject: Report on Audit of Termination for Default Settlement Proposal	
Prepared For: Joint Contracting Command, Iraq-Reconstruction	
Contractor: Parsons Global Services, Inc	
Report: \$11,240K Questioned Costs	
The audit of the \$46.3 million settlement proposal resulted in \$11.2 million of questioned costs. The questioned subcontract costs were primarily due to limiting the termination cost to the estimated percentage of subcontract completion and questioning the proposed subcontractor fee for a subcontract not yet settled.	
<b>Audit Report No. 3421– 2006I10100001</b>	Date: June 17, 2008
Subject: Report on Audit of Home Office Incurred Cost Submission for Fiscal Year 2006	
Prepared For: Defense Contract Management Agency, Boeing St. Louis	
Contractor: Boeing Company, Integrated Defense Systems Home Office	
Report: \$45,989K Questioned Costs	
The audit of the Home Office's certified final indirect cost rate proposal for FY 2006 resulted in \$46 million of questioned costs. The questioned costs included lawsuit settlement costs, air show lease expenses, hazardous waste clean-up, and incentive compensation costs. IDS did not provide sufficient supporting documentation to demonstrate the costs are allowable, allocable, and reasonable.	
<b>Audit Report No. 1271-2008S21000064</b>	Date: June 18, 2008
Subject: Report on the Multiyear Proposal for 120MM M865 and M1002 Tank Training Ammunition	
Prepared For: Headquarters, U.S. Army Sustainment Command	
Contractor: General Dynamics-Ordnance and Tactical Systems (GD-OTS)	
Report: \$33,079K Questioned Costs, \$8,918K Unsupported Costs	
An audit of the \$307.9 million firm-fixed price proposal for 120mm Tank Training Ammunition resulted in \$33.1 million of questioned and \$8.9 million of unsupported costs. The questioned costs were the result of assist audits of material costs, overstated material quotes, material escalation and exchange rate conversion. Indirect costs were overstated by 16% due to questioned indirect rates and base amounts. Proposed EPA Mitigator was considered to be an unallowable contingency and therefore questioned. The unsupported material costs were due to a lack of adequate cost or pricing data.	

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<b>Audit Report No. 3521-2008J27000019</b>	Date: June 18, 2008
Subject: Report on Audit of Material Portion of Firm-Fixed-Price Proposal for the Army Family of Medium Tactical Vehicles	
Prepared For: Tank-Automotive and Armaments Command	
Contractor: BAE Systems	
Report: \$168,257K Questioned Costs	
The audit of parts (material) of the \$2.2 billion firm-fixed-price proposal for variants of military trucks and trailers under the Army Family of Medium Tactical Vehicles resulted in \$168.3 million of questioned costs. The questioned material costs were due to lack of competitive quotes, no proof of commerciality, questioned escalation and application of a negotiation factor to quoted prices.	

<b>Audit Report No. 4901-2008D21000011</b>	Date: June 18, 2008
Subject: Audit of Fixed Price Multi-Year Proposal for Armtec Defense Products, M231/232 MACS Cases	
Prepared For: US Army Joint Munitions and Lethality, Life Cycle Management Command	
Contractor: Armtec Defense Products, Inc.	
Report: \$35,832K Questioned Costs	
The audit of the \$161 million firm-fixed-price proposal for M231/232 MACS Cases resulted in \$35.8 million of questioned costs. The most significant elements of questioned costs included overstated manufacturing overhead due to an inappropriate pool/base cost relationship and overstated G&A expenses based on inadequate forecast documentation that represented a significant deviation from its historical experience.	

<b>Audit Report No. 1721-2008D21000406</b>	Date: June 19, 2008
Subject: Report on Audit of Fixed Price Incentive Proposal for NNS Subcontract to Electric Boat for the Teaming Effort on the Construction of the Virginia-Class Submarine - Third Block	
Prepared For: Naval Sea Systems Command	
Contractor: Newport News Shipbuilding and Dry Dock Company	
Report: \$747,724K Questioned Costs, \$275,739K Unsupported Costs	
An audit of the \$6.1 billion fixed-price-incentive subcontract proposal for construction of the Virginia-Class Submarine Third Flight resulted in \$747.7 million of questioned costs and \$275.7 million of unsupported costs. Questioned costs were the result of a flawed learning curve applied to proposed labor hours, inconsistent escalation factors, updated cost or pricing data, and overstated indirect costs due to questioned labor base costs. The unsupported material costs were based on expired quotes.	

<b>Audit Report No. 2701-2008T21000008</b>	Date: June 19, 2008
Subject: Report on Warfighter Information Network-Tactical (WIN-T), Increment 3 Proposal	
Prepared For: Defense Contract Management Agency General Dynamics	
Contractor: General Dynamics C4 Systems, Inc.	
Report: \$64,934K Questioned Costs	
The audit of the \$939.4 million cost-plus-fixed-fee/cost-plus-award proposal for the WIN-T Increment 3 program resulted in \$64.9 million of questioned costs. Questioned costs are due to questioned labor hours, audit adjusted direct and indirect rates, and a material decrement factor applied to proposed vendor quotes.	

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<b>Audit Report No. 4411-2008S27000007</b>	Date: June 20, 2008
Subject: Report on Audit of Parts of a Proposal for In-Service Support of the Royal Australian Air Force Airborne Early Warning and Control Aircraft Project Air 5077	
Prepared For: Defense Contract Management Agency, DoD Central Control Point	
Contractor: The Boeing Company, Integrated Defense Systems-Puget Sound	
Report: \$67,942K Questioned Costs	
The audit of parts of the \$642.5 million cost type proposal for Project Air 5077 Wedgetail In Service Support Contract resulted in \$68 million of questioned costs. Questioned costs were the result of a subcontract decrement factor, unallowable contingent costs, duplicate warranty costs, and overstated travel costs.	

<b>Audit Report No. 6501-2008B27000008</b>	Date: June 20, 2008
Subject: Report on Audit of Parts of a Proposal for Support Services of the Department of Energy Environmental Clean-Up Mission at the Hanford Site	
Prepared For: Department of Energy	
Contractor: Mission Support Alliance, LLC	
Report: \$30,369K Questioned Costs, \$97,715K Upward Adjustment, \$31,633K Unsupported Costs	
The audit of parts of the \$1.6 billion cost-plus-award-fee proposal for the Mission Support Alliance resulted in questioned costs of \$30.4 million, an upward adjustment of \$97.7 million and unsupported costs of \$31.6 million. Questioned costs were the result of labor cost adjustments to subcontractor amounts and related services not priced at cost, and the use of incorrect rate and base costs in the welfare and savings plans. The upward adjustment was due to the difference between the proposed and actual pension plan costs. The unsupported costs were due to the lack of adequate supporting documentation for subcontracts.	

<b>Audit Report No. 6141-2008H19500002</b>	Date: June 25, 2008
Subject: Report on Audit of Pension Cost Impact Settlement Proposal Pursuant to ASBCA Case Nos. 54877 and 55078	
Prepared For: Department of the Army, Headquarters, U.S. Army Sustainment Command	
Contractor: ICI Americas, Inc.	
Report: \$79,874K Due the Government	
The audit of the pension cost settlement for the contractor's failure to comply with CAS 413, Adjustment and Allocation of Pension Cost and FAR 31.205-6(j), Compensation for Personal Services, pursuant to the rulings of the Armed Services Board of Contract Appeals Case Nos. 54877 and 55078 resulted in a total due to the Government of \$80.0 million. This includes \$11.1 million due to the Government for the CAS 413 noncompliance and \$68.8 million for the FAR noncompliance, including interest.	

<b>Audit Report No. 6631-2006C10100001</b>	Date: June 25, 2008
Subject: Report on Audit of LM Corporate Home Office Expenses Incurred Cost Proposal for Contractor Fiscal Year (CFY) 2006	
Prepared For: Defense Contract Management Agency, Headquarters	
Contractor: Lockheed Martin Corporation	
Report: \$52,121K Questioned Costs	
The audit of the certified final indirect cost proposal for CFY 2006 Home Office expenses resulted in \$52.1 million of questioned costs. Significant questioned costs included consultant/general professional services, Washington operations costs, and executive compensation in excess of FAR limitations.	



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<b>Audit Report No. 2191-2008V21000004</b>	Date: June 26, 2008
Subject: Report on Audit of Cost-Plus-Fixed-Fee Proposal Stryker (RWS) Block II & Main Frame Assembly Upgrade	
Prepared For: Department of the Army, Program Executive Office, Ground Combat and Support Systems	
Contractor: Kongsberg Defence and Aerospace A.S.	
Report: \$3,566K Questioned Costs, \$7,000K Unsupported Costs	
An audit of the \$77.8 million cost-plus-fixed-fee proposal for the Remote Weapons System Block II and Main Frame Assembly resulted in \$3.6 million of questioned costs and \$7 million of unsupported costs. Questioned costs included more current material costs, unallowable shipping costs and warranty rate. The unsupported indirect rates did not have sufficient supporting documentation.	
<b>Audit Report No. 3711-2006A10100001</b>	Date: June 26, 2008
Subject: Report on Audit of Calendar Year (CY) 2006 Final Procurement-Determined Indirect Costs and Rates for Period January 1, 2006 Through December 31, 2006	
Prepared For: Defense Contract Management Agency, Lockheed Martin Fort Worth	
Contractor: Lockheed Martin Aeronautics Company	
Report: \$31,789K Questioned Costs	
The audit of the certified final indirect cost rate proposal resulted in \$31.8 million of questioned indirect pool costs. Questioned costs included legal settlement costs, excess rental costs, market assist costs, foreign public relations expenses, direct costs charged to G&A, and corporate allocation costs.	
<b>Audit Report No. 2361-2008R21000015</b>	Date: June 27, 2008
Subject: Construction of VIRGINIA Class Submarines Block III	
Prepared For: Naval Sea Systems Command, Ship Repair and Overhaul Contracts	
Contractor: General Dynamics Electric Boat	
Report: \$1,368,918K Questioned Costs, \$190,086K Unsupported Costs	
An audit of the \$7.9 billion fixed-price-incentive proposal for construction of Virginia Class Submarines Block III resulted in \$1,368.9 million of questioned costs and \$190.1 million of unsupported costs. Questioned costs were the result of computer application effort costs, escalation, a steeper learning curve for direct labor hours, forecast workload adjustments and indirect rate expense items. Unsupported material costs were due to lack of required cost or pricing data.	

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<b>Audit Report No. 4411-2006Y10100001</b>	Date: June 27, 2008
Subject: Report on Audit of Incurred Costs and Facilities Capital Cost of Money for the Year Ended December 31, 2006	
Prepared For: Defense Contract Management Agency-Boeing St. Louis Operations	
Contractor: The Boeing Company, Shared Services Group	
Report: \$174,573K Questioned Costs	
The audit of the CFY 2006 \$4,379.3 million certified final indirect cost rate proposal resulted in \$174.6 million of questioned indirect and cost of money expenses. The questioned indirect costs included depreciation, executive flight operations, consulting and facilities construction. The questioned cost of money expenses were the result of questioned net book value of the assets with questioned depreciation in the indirect pools.	

  

<b>Audit Report No. 6501-2006C10100001</b>	Date: June 27, 2008
Subject: Report on Audit of Calendar Year 2006 Lockheed Martin, Maritime Systems and Sensors Incurred Cost Proposal	
Prepared For: Defense Contract Management Agency, DCMA Naval Sea Systems Operations	
Contractor: Lockheed Martin Maritime Systems & Sensors	
Report: \$21,212K Questioned Costs	
The audit of the certified final indirect cost rate proposal for CY 2006 resulted in \$21.2 million of questioned costs. Questioned indirect costs included incoming assessments, relocation, software maintenance and functional project costs.	

  

<b>Audit Report No. 1621-2008D22000001</b>	Date: June 30, 2008
Subject: Customer Pay Program Solicitation No. SPM7L1-08-R-0006	
Prepared For: Defense Supply Center Columbus	
Contractor: AM General LLC	
Report: \$17,222K Questioned Costs	
The audit of the \$155.8 million firm-fixed-price proposal for HMMWV Spare Parts resulted in \$17.2 million of questioned costs. The questioned costs included overstated material costs due to excessive escalation, inaccurate indirect rates and unallowable costs included in the G&A rate.	

  

<b>Audit Report No. 3121- 2006K10100001</b>	Date: July 1, 2008
Subject: Report on Audit of Claimed Contractor Fiscal Year 2006 Incurred Direct Costs, Indirect Expense Rates, and Cost of Money Factors	
Prepared For: Defense Contract Management Agency, Space & Missile Systems Division	
Contractor: Lockheed Martin Space System Company	
Report: \$40,110K Questioned Costs	
The audit of the certified final indirect cost rate proposal for CY 2006 resulted in \$40.1 million of questioned costs. The questioned costs included unallowable computer services costs, expenses related to planning and organizing a joint venture, professional services costs, unreasonable rearrangement expenses and legal professional services.	

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<b>Audit Report No. 2801–2008C21000007</b>	Date: July 2, 2008
Subject: Report on Audit of Raytheon Network Centric Systems Indefinite Delivery/Indefinite Quantity Proposal for Digital Airport Surveillance Radar Phase I Extension Proposal	
Prepared For: Department of the Air Force, Headquarters Electronic Systems Center	
Contractor: Raytheon Company	
Report: \$13,919K Questioned Costs	
The audit of the \$142 million firm-fixed-price proposal for a two year Indefinite Delivery/Indefinite Quantity pricing table for Digital Airport Surveillance Radar resulted in \$13.9 million of questioned costs. Questioned costs were the result of updated forward pricing rates, quantity discount savings, questioned contingency cost, and applied decrement factors.	

<b>Audit Report No. 6711–2008L27000030</b>	Date: July 2, 2008
Subject: Report on Audit of Parts of Proposal for Updated P-8A Poseidon Program, Options 2 - 6	
Prepared For: Defense Contract Management Agency – Boeing Seattle	
Contractor: Northrop Grumman Corporation	
Report: \$10,639K Questioned Material, \$2,156K Unsupported Material	
The audit of parts of a \$116.4 million cost-plus-incentive-fee proposal for T6/T7 Aircraft and Spares resulted in \$10.6 million of questioned material costs, \$2.2 million of unsupported material costs and questioned direct and indirect rates. Questioned material was the result of applying an improvement curve to the results of the audit of option 1 of this program. Unsupported material costs were due to lack of supporting documentation for materials proposed based on engineering estimates.	

<b>Audit Report No. 2801–2008G21000036</b>	Date: July 3, 2008
Subject: Audit Report on Proposal for Patriot Pure Fleet Taiwan 3-Lot Fire-Unit Upgrade	
Prepared For: United States Army Aviation and Missile Command	
Contractor: Raytheon Company	
Report: \$21,540K Questioned Costs	
The audit of the \$82.3 million firm-fixed-price/cost-plus-fixed-fee proposal for Patriot Pure Fleet Taiwan 3-Lot Fire Unit Upgrade resulted in \$21.5 million of questioned costs. Questioned costs were the result of a decrement factor applied to proposed labor hours based on current production, updated forward pricing rates and an unallowable contingency.	

<b>Audit Report No. 2801–2008G21000034</b>	Date: July 7, 2008
Subject: Audit of Patriot Effort for Republic of Korea under Prime Contract No. W31P4Q-08-C-0288	
Prepared For: U.S. Army Aviation and Missile Command	
Contractor: Raytheon Company	
Report: \$19,546K Questioned Costs	
The audit of the \$240.8 million firm-fixed-price proposal for the Republic of Korea Patriot effort resulted in \$19.5 million of questioned costs. Questioned costs included audit adjusted direct and indirect rates based on updated forward pricing rates, and questioned labor hours.	

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<b>Audit Report No. 3141-2008A21000008</b>	Date: July 7, 2008
Subject: Report on Audit of Cost Plus Award Fee Proposal for the U.S. Citizenship and Immigration Services (USCIS) – Transformation Program Solutions Architect Acquisition	
Prepared For: U.S. Department of Homeland Security (DHS)	
Contractor: Accenture LLP	
Report: \$15,563K Questioned Costs	
The audit of the \$294.3 million cost-plus-award-fee proposal for U.S. Citizenship and Immigration Services resulted in \$15.6 million of questioned costs. Questioned costs were the result of overstated escalation in the labor rates, plus the application of proposed indirect rates.	

<b>Audit Report No. 4201-2008A27000004</b>	Date: July 10, 2008
Subject: Report on Audit of Subcontractor Firm-Fixed-Price Proposal No. KAI-2008-BYJ0002 for AH-64D Apache Fuselage	
Prepared For: Defense Contract Management Agency, Boeing St. Louis	
Contractor: Korea Aerospace Industries, Ltd	
Report: \$68,647K Questioned Costs	
The audit of parts of the \$363 million firm-fixed-price proposal for fabrication of AH-64D Apache Longbow fuselages resulted in \$68.6 million of questioned costs. Questioned costs included material costs based on actual cost history, currency exchange rate exceptions, duplication of costs included in the burdened labor costs, and escalation.	

<b>Audit Report No. 2361-2008R21000016</b>	Date: July 17, 2008
Subject: VIRGINIA Class Submarines Block III Supplement 1 Hotel Services and TB-33	
Prepared For: Naval Sea Systems Command, Ship Repair and Overhaul Contracts	
Contractor: General Dynamics Electric Boat	
Report: \$44,031K Questioned Costs, \$7,543K Unsupported Costs	
The audit of the \$81.1 million fixed-price-incentive-fee resulted in \$44 million of questioned costs and \$7.5 million of unsupported costs. Questioned costs were due to overstated labor hours identified in technical evaluation, escalation, workload adjustments and material index used for escalation. The unsupported material costs were due to lack of cost or pricing data for material costs.	

<b>Audit Report No. 2361-2008R21000018</b>	Date: July 17, 2008
Subject: VIRGINIA Class Submarines Block III Supplement 2 Lead Yard Services	
Prepared For: Naval Sea Systems Command, Ship Repair and Overhaul Contracts	
Contractor: General Dynamics Electric Boat	
Report: \$52,017K Questioned Costs	
The audit of the \$560.1 million cost-plus-fixed-fee Supplement 2 proposal for Lead Yard Services resulted in \$52.0 million of questioned costs. The questioned costs were the result of overstated computer costs and outdated labor and indirect rates.	

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<b>Audit Report No. 9771-2008B27000002</b>	Date: July 17, 2008
Subject: Cost Realism Analysis of Parts of Proposal Submitted for Development of a Hypersonic Testbed	
Prepared For: Defense Advanced Research Projects Agency	
Contractor: Lockheed Martin Aeronautics Company - Palmdale	
Report: \$2.2M Overstated, \$8.1M Unsupported	
A cost realism audit of the \$63.8 million cost-plus-fixed-fee proposal examined resulted in \$2.2 million of overstated costs and \$8.1 million unsupported costs. The overstated costs were primarily due to a new FPRA that was negotiated subsequent to the proposal submission. The \$8.1 million unsupported costs represent material cost based on subjective engineering estimates.	

<b>Audit Report No. 4461-2008B27000007</b>	Date: July 22, 2008
Subject: Report on Audit of Cost Plus Fixed Fee (CPFF) Proposal for Calendar Year (CY) 2008 Non-Block Retrofit for Global Reach Improvement, Program (GRIP) Follow-On Retrofit Projects	
Prepared For: Department of the Air Force, Headquarters Aeronautical Systems Center	
Contractor: The Boeing Company	
Report: \$5,897K Questioned Costs, \$17,336K Unsupported Costs	
The audit of parts (\$69.9 million) of the \$118.6 million cost-plus-fixed fee proposal for CY 2008 GRIP Follow-On Retrofit Projects resulted in \$5.9 million of questioned costs and \$17.3 million of unsupported costs. The majority of questioned costs were the result of questioning parts that the contractor determined, subsequent to proposal preparation, were already procured under a prior contract. The unsupported costs were due to the lack of adequate cost or pricing data for major subcontractor and purchased equipment costs.	

<b>Audit Report No. 6151- 2006Q10100001</b>	Date: July 22, 2008
Subject: Audit of Incurred Costs for Contractor Fiscal Year Ending March 31, 2006	
Prepared For: Defense Contract Management Agency - Virginia	
Contractor: Booz Allen Hamilton	
Report: \$28,804K Questioned Costs	
The audit of the certified final indirect cost rate proposal for FY 2006 incurred cost resulted in \$28.8 million of questioned costs. Questioned costs included overstated executive compensation and Employee Capital Accumulation Plan costs, associated fringe benefit costs, travel, external training and meeting costs.	

<b>Audit Report No. 2191-2008C22000001</b>	Date: July 24, 2008
Subject: Report on Audit of 105mm Ammunition Subcontract Proposal to General Dynamics (Integrated Product Team)	
Prepared For: U.S. Army JM&L LCMC Acquisition Center	
Contractor: Denel (Pty) Ltd	
Report: \$2,683K Questioned Costs, \$10,333K Unsupported Costs	
The audit of the \$42 million firm-fixed-price consolidated proposal for the production of 105mm M1130 high explosive cartridges resulted in \$2.7 million of questioned costs and \$10.3 million of unsupported costs. The consolidated proposal included proposals from the three locations that will be performing the work. Questioned costs included questioned material based on updated quotations and purchase order history; questioned direct labor based on current salaries and questioned overhead based on actual costs and unallowable base costs. Unsupported indirect costs were the result of lack of budgetary data for the period of performance. Historical rates varied widely and could not be used to project to future years.	

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<b>Audit Report No. 2261–2008U22000018</b>	Date: July 24, 2008
Subject: Report on IPT Cost Plus Incentive Fee (CPIF) Proposal for 1083 Stabilized Commander's Work Station (SCWS) Tank Urban Survivability Kits	
Prepared For: U.S. Army TACOM Life Cycle Management Command (LCMC)	
Contractor: General Dynamics Land Systems	
Report: \$16,703K Questioned Costs	
The audit of the \$142 billion cost-plus-incentive-fee proposal for 1,083 stabilized commander weapon stations resulted in \$16.7 million of questioned costs. Questioned costs were the result of overstated material escalation, an outdated vendor quote for production tooling, and the application of a material decrement factor due to a history of negotiating lower prices with vendors.	

<b>Audit Report: 2201– 2008B21000011-S1</b>	Date: July 29, 2008
Subject: Supplement to Report on Audit of Firm Fixed Price (FFP) Indefinite Quantity Multi-Year Proposal for AN/APX-117, AN/APX-118, AN/APX-123 Transponders and Related Equipment	
Prepared For: Department of the Navy, Naval Air Systems Command	
Contractor: BAE Systems Electronics & Integrated Solutions, Sensor Systems	
Report: \$27,599K Questioned Costs	
The audit of the \$283.9 million firm-fixed-price indefinite quantity multi-year proposal resulted in \$27.6 million of questioned costs. Questioned costs were the result of unwarranted escalation, deleted minimum buy material, and non-recurring expenses that were removed by vendor. In addition, the technical evaluation questioned proposed engineering labor hours.	

<b>Audit Report No. 3121-2008U21000001-S2</b>	Date: July 29, 2008
Subject: Supplemental Report on Delta IV Evolved Launch Services (ELS) for NROL-32, NROL-49, and NROL-27	
Prepared For: Department of the Air Force, Space and Missile Systems Center	
Contractor: United Launch Alliance	
Report: \$90,405K Questioned Costs, \$64,213K Unsupported Costs	
The audit of the \$517.9 million firm-fixed-price proposal for Delta IV Launch Services resulted in \$90.4 million of questioned costs and \$64.2 million of unsupported costs. Questioned costs included proposed rates that did not agree with forward pricing rates, material decrement factors, escalation and inadequate cost or pricing data. The unsupported costs were for subcontracts that were not supported by cost or price analysis by the contractor.	

<b>Audit Report No. 1621–2008G21000008-S1</b>	Date: July 30, 2008
Subject: Supplement to Report on Audit of GE-Aviation's Proposal No. D 08SLEPF110 for Lots V, VI and VII of the Service Life Extension Program (SLEP)	
Prepared For: Department of the Air Force, Headquarters Oklahoma City Air Logistics Center (AFMC)	
Contractor: GE-Aviation	
Report: \$11,646K Questioned Costs, \$29,405K Unsupported Costs	
The audit of the \$196.3 million firm-fixed-price proposal for F110 Service Life Extension Program resulted in \$1.6 million of questioned costs and \$29.4 million of unsupported costs. Questioned costs resulted from overstated escalation factors, decrement factors applied to vendor quotes, purchase agreement factors and questioned indirect rates based on a CAS 418 noncompliance. The unsupported material costs were due to an inadequate and unauditable subcontract proposal and a revenue Sharing Agreement that was not adequately supported.	

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<b>Audit Report No. 9771-2008A21000009*</b>	Date: July 31, 2008
Subject: Examination of Proposal	
Report: \$65.7M Questioned Costs, \$133M Unresolved Costs, \$253M Unsupported Costs	
An audit of the \$6.5 billion cost plus incentive and award fee proposal of which \$500 million was subcontract costs resulted in \$65.7 million in questioned costs, \$133 million in unresolved costs, and \$253 million of unsupported costs. The questioned costs were primarily the result of overstated direct labor hours, overstated material costs, overstated subcontract costs, unallowable premium airfare and improper inclusion of employee bonuses charged direct. The unresolved costs were due to non-receipt of assist audit reports. The unsupported costs were the result of unsupported subcontract costs.	

<b>Audit Report No. 2171-2008B27000006</b>	Date: August 4, 2008
Subject: Report on Audit of GE - T700-701D/-401C Engine and Support Firm Fixed Price Proposal	
Prepared For: U. S. Army Aviation and Missile Command	
Contractor: GE-Aviation	
Report: \$22,015K Questioned Costs	
The audit of parts (\$445.7 million) of the \$934.7 million firm-fixed-price proposal for T700 701D and 401C engines resulted in \$22 million of questioned costs. The questioned costs were the result of updated purchase agreements, the use of decrement factors and reduced escalation.	

<b>Audit Report No. 2671- 2002A17900013-S1</b>	Date: August 4, 2008
Subject: Supplement to Report on Audit of Voluntary Compliance Resolution (VCR)	
Prepared For: Defense Contract Management Agency, Raytheon	
Contractor: Raytheon Company	
Report: \$63,340K Questioned Costs	
The audit of the \$105.9 million proposal for the reexamination of the Voluntary Compliance Resolution (VCR) resulted in \$63.3 million of questioned costs. Questioned costs included unsupported Excess Plan Liabilities, miscalculation on Return on Investment costs, and unallowable excise taxes included in Settlement Credits.	

<b>Audit Report: 1301-2008B21000008</b>	Date: August 5, 2008
Subject: Report on Audit of the 2010 Census Bureau, Decennial Field Data Collection Automation Re-Plan Proposal	
Prepared For: United States Department of Commerce, Economics and Statistics Administration	
Contractor: Harris Corporation	
Report: \$16,630K Questioned Costs, \$21,315K Unsupported Costs	
The audit of the \$856.4 million proposal for the re-plan of the FDCA effort resulted in \$16.6 million of questioned costs and \$21.3 million unsupported costs. The majority of the questioned costs were the result of proposed costs incurred prior to the re-plan effort. The unsupported costs were the result of insufficient support documentation.	

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<b>Audit Report No. 3711–2008A21000009</b>	Date: August 11, 2008
Subject: Report on Audit of F-22A Cost Plus Fixed Fee Proposal for Raptor Enhancement, Development, and Integration (REDI) Contract, Delivery Order (DO) 0051, Laboratory Infrastructure Program	
Prepared For: Department of the Air Force, Aeronautical Systems Center	
Contractor: Lockheed Martin Aeronautics Corporation	
Report: \$12,602K Questioned Costs	
The audit of the \$320.9 million cost-plus-fixed-fee proposal for F22A Raptor Enhancement, Development, and Integration resulted in \$12.6 million of questioned costs. Questioned costs included labor costs based on an expired forward pricing rate agreement, and subcontract costs which an assist audit found was unauditable due to outdated rates and outstanding estimating system deficiencies.	

<b>Audit Report: 1721– 2005B10100001</b>	Date: August 12, 2008
Subject: Report on Audit of Final Indirect Cost Rates and Direct Costs for Fiscal Year (FY) 2005	
Prepared For: Supervisor of Shipbuilding, Conversion and Repair, USN	
Contractor: Newport News Shipbuilding and Dry Dock Company	
Report: \$20,594K Questioned Costs	
The audit of the certified final indirect cost rate proposal for FY 2005 resulted in \$20.6 million of questioned costs. Questioned costs included overstated cost of money costs, overstated pension and post retirement benefits, material transfers from one type of contract to another, unallowable contributions and communication costs.	

<b>Audit Report No. 3541–2008F21000006</b>	Date: August 12, 2008
Subject: Revised DD(X) DDI MK57 Mission Systems Equipment Subcontract Proposal to Raytheon Integrated Defense Systems	
Prepared For: Defense Contract Management Agency Twin Cities	
Contractor: BAE Systems, Armament Systems	
Report: \$7,242K Questioned, \$25,861K Unsupported	
The audit of the \$76.4 million cost-plus award fee/cost-plus incentive fee subcontract for the MK57 Mission Systems Equipment resulted in \$7.2 million of questioned costs and \$25.9 million of unsupported costs. Questioned costs were the result of differences between proposed amounts and amounts recorded in the books, decrement factors and updated forward pricing rates. Unsupported amounts were the result of lack of cost or pricing data for subcontract costs.	

<b>Audit Report No. 4721–2008U27000003</b>	Date: August 15, 2008
Subject: Report on Audit of Parts of a Proposal for Global Hawk Limited Rate Initial Production (LRIP)	
Prepared For: Department of the Air Force, Headquarters Aeronautical Systems Center	
Contractor: Northrop Grumman Integrated Systems Sector	
Report: \$12,426K Questioned Costs	
The audit of parts (\$377.6 million) of the \$378.9 million fixed-price-incentive proposal for Global Hawk Limited Rate Initial Production resulted in \$12.4 million of questioned costs. Questioned costs were the result of pricing errors, excessive escalation, and overstated material usage allowance.	

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<b>Audit Report No. 6141-2008D21000005</b>	Date: August 15, 2008
Subject: Report on Audit of Subcontract Proposal to EAI Corporation for the Joint Nuclear Biological, Chemical Reconnaissance System (JNBCRS 2) Program	
Prepared For: U.S. Army Research, Development and Engineering Command	
Contractor: Smiths Detection, Inc.	
Report: \$11,048K Questioned Costs, \$16,981K Unsupported Costs	
The audit of the \$69.2 million cost and firm-fixed-price proposal in support of the Joint Nuclear Biological Chemical Reconnaissance System resulted in \$11 million of questioned costs and \$17 million of unsupported costs. The questioned direct and indirect costs were the result of audit determined weighted averages based on the Government fiscal year and rates from the forward pricing rate agreement. Questioned material costs were the result of unreasonable escalation. Unsupported costs included indirect costs that were not supported by budgetary data, and that could not be evaluated based on historical data due to the instability of the rates.	

<b>Audit Report No. 9821-2008B21000007*</b>	Date: August 18, 2008
Subject: Examination of Proposal	
Report: \$27.8M Questioned Costs	
An audit of the \$759 million cost plus award fee follow-on proposal resulted in \$27.8 million in questioned costs. The questioned costs were primarily the result of questioned labor hours based on a comparison of the labor mix on the predecessor contract compared to those proposed. A technical resource factor for employees awaiting security clearances was questioned based on regression analysis along with the application of indirect expenses to questioned base costs.	

<b>Audit Report No. 6221-2008U27000017</b>	Date: August 20, 2008
Subject: Report on Audit of Parts of a Proposal for FCS CR211, Prototype Mix & Armor Coupons (QR STEC6-178-F4) and Common Turret (QR STEC6-191-F4)	
Prepared For: Defense Contract Management Agency, Boeing St. Louis	
Contractor: BAE Systems Land & Armaments L.P.	
Report: \$14,894K Questioned Costs	
The audit of parts (\$55.8 million) of the \$64.7 million cost-plus-award-fee proposal for FCS CR211 Common Turret resulted in \$14.9 million of questioned costs. Questioned costs were based on updated indirect rates, expired vendor quotes, duplicate material costs, and insufficient supporting documentation.	

<b>Audit Report No. 9771-2008A21000010*</b>	Date: August 20, 2008
Subject: Examination of Proposal	
Report: \$34.7M Questioned Costs, \$13.5M Unresolved, 817K Unsupported Costs	
An audit of the \$602 million cost plus incentive and award fee proposal, of which \$92 million was subcontract costs resulted in \$34.7 million in questioned costs, \$13.5 million in unresolved costs, and \$817 thousand of unsupported costs. The questioned costs were primarily the result of duplicated direct labor costs, overstated material costs, overstated other direct costs due to outdated cost estimating relationship factors, and indirect costs due to the contractor's use of outdated rates and the impact of questioned direct costs. The unresolved costs were due to non-receipt of assist audit reports. The unsupported costs were the result of the prime contractor's use of engineering estimates to bid subcontract costs.	

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<b>Audit Report No. 2801–2008G27000013</b>	Date: August 21, 2008
Subject: Audit Report on Parts of a Proposal for European Midcourse Radar Task Order 004 Radar Upgrade	
Prepared For: Missile Defense Agency	
Contractor: Raytheon Integrated Defense Systems	
Report: \$1,287K Questioned Costs, \$13,573K Unsupported Costs	
The audit of parts (\$170.6 million) of the \$196.0 million cost-plus-incentive-fee proposal for the European Midcourse Radar Upgrade resulted in \$1.3 million of questioned costs and \$13.6 million of unsupported costs. Questioned costs included overstated escalation, errors in proposed material quantities and incomplete purchase order history. Costs were unsupported because of non receipt of support documentation and historical pricing.	

<b>Audit Report No. 3531–2008H21000014</b>	Date: August 21, 2008
Subject: Audit of Proposal for C-130 Aircraft Modernization Program, Low Rate Initial Production	
Prepared For: Department of the Air Force, Aeronautical Systems Center	
Contractor: The Boeing Company	
Report: \$67,063K Questioned Costs, \$20,577K Unsupported Costs	
The audit of the \$583.3 million proposal resulted in \$67.0 million questioned costs and \$20.6 million of unsupported costs. Questioned costs were the result of duplication of hours, duplications to cost estimating relationships, updated cost and price analysis reports, updated vendor quotes and the application of decrement factors. Material costs were unsupported because cost and price analysis reports were not provided.	

<b>Audit Report No. 9821-2008B21000009*</b>	Date: August 21, 2008
Subject: Examination of Proposal	
Report: \$25.3M Questioned Costs	
An audit of the \$466.7 million cost plus award fee proposal resulted in \$25.3 million in questioned costs. The questioned costs were primarily the result of questioned labor hours based on a comparison of the labor mix on the predecessor contract compared to those proposed. A technical resource factor for employees awaiting security clearances was questioned based on regression analysis along with the application of indirect expenses to questioned base costs.	

<b>Audit Report: 1301–2008B21000007</b>	Date: August 22, 2008
Subject: Report on Audit of 52 Modernization Satellite Communications Terminals	
Prepared For: United States Army CECOM Acquisition Center	
Contractor: Harris Corporation	
Report: \$17,451K Questioned Costs	
The audit of the \$82.7 million proposal for 52 Modernization Satellite Communications Terminals resulted in \$17.6 million of questioned costs. The questioned costs were based on the difference between the proposed cost per unit and the audit calculated unit cost using a purchase quantity of 10 units. The proposed unit costs were calculated at the lowest quantity in the range and did not reflect the true cost per unit in the quantity range.	

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<b>Audit Report No. 4181–2008D21000018</b>	Date: August 22, 2008
Subject: Report on Audit of Firm-Fixed Price Proposal for the Enhanced Position Location Reporting System (EPLRS) Production, Additional 8,000 RT-1720 and RT-1915 Radios	
Prepared For: Headquarters, U.S. Army Communications-Electronics Command	
Contractor: Network Centric Systems - Fullerton Site	
Report: \$33,537K Questioned Costs, \$2,000K Unsupported Costs	
The audit of the \$538.8 million (A & B options) firm-fixed-price proposal for the Enhanced Position Location Reporting System resulted in \$33.5 million of questioned costs and \$2 million of unsupported costs. Questioned costs were based on updated escalation and decrement factors, adjustments to labor hours and application of the forward pricing rate agreement. Other direct costs were classified as unsupported because adequate support was not provided.	

  

<b>Audit Report No. 3561–2008F21000038</b>	Date: August 26, 2008
Subject: Report on Audit of Firm-Fixed-Price Proposal for Javelin Life Cycle Contract Support (LCCS) for RMS Cost Volume	
Prepared For: U.S. Army Aviation and Missile Command (AMCOM)	
Contractor: Raytheon Missile Systems	
Report: \$9,047K Questioned Costs, \$884K Unsupported Costs	
The audit of the \$166.9 million firm-fixed-price proposal for Javelin Life Cycle Contract Support resulted in \$9 million of questioned costs and \$884 thousand of unsupported costs. Questioned costs were based on an updated price/cost analysis, combining quantities, and using current vendor quotes. Material costs were unsupported because detailed supporting documentation was not provided.	

  

<b>Audit Report No. 1641–2008D21000013</b>	Date: August 27, 2008
Subject: Audit of Indefinite Delivery/Indefinite Quantity Firm-Fixed-Priced Proposal for A20 Heaters	
Prepared For: U.S. Army TACOM LCMC	
Contractor: Hunter Manufacturing Company	
Report: Questioned Direct and Indirect Rates, \$33,322K Unsupported Costs	
The audit of the \$71.6 million indefinite delivery/indefinite quantity firm-fixed-price proposal for A20 Heaters resulted in questioned direct and indirect rates and \$33.3 million of unsupported material costs. Questioned rates were the result of excessive escalation, lack of competitive bids and lower vendor quotes. Unsupported costs were the result of inadequate cost or pricing data from prospective subcontractors.	

  

<b>Audit Report: 4141– 2008H27000005</b>	Date: August 27, 2008
Subject: Report on Audit of Parts of a Proposal for Fiscal Year 2009, Fleet Ballistic Missiles Production and Deployed Systems Support	
Prepared For: Department of the Navy, Strategic Systems Programs	
Contractor: Lockheed Martin Space Systems Company	
Report: \$21,674K Questioned Costs, \$53,108K Unsupported Costs	
The audit of the cost-plus-fixed-fee \$793.1 million proposal for 2009 Fleet Ballistic Missile Production and Deployed Systems Support resulted in \$21.7 million of questioned costs and \$53.1 million of unsupported costs. Questioned costs were due to results of assist audits, cost or price analysis results, revised subcontractor proposals, and revised estimates. Unsupported costs were the result of insufficient support documentation for material costs.	

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<b>Audit Report No. 3421-2008C21000024</b>	Date: August 29, 2008
Subject: Report on Audit of Firm Fixed Price/Fixed Price Incentive Proposal for F-15 Structural Support System Performance Based Logistics (PBL) Updated CLIN 0002 Parts Service Fee and CLIN 0003 Engineering Services	
Prepared For: Defense Supply Center Richmond	
Contractor: The Boeing Company, McDonnell Douglas Training and Support Systems	
Report: \$16,502K Questioned Costs, \$1,534K Unsupported Costs	
The audit of the \$31.2 million firm-fixed-price/fixed-price-incentive proposal for Parts Service Fee and Engineering Services in support of the F-15 Structural Support Systems resulted in \$16.5 million of questioned costs and \$1.5 million of unsupported costs. Questioned costs were for a proposed service fee (financing cost) which is unallowable under FAR. The unsupported costs were the result of an incorrectly prepared vendor quote.	
<b>Audit Report No. 2801-2008G27000012</b>	Date: September 2, 2008
Subject: Report on Audit of Parts of a Proposal for the DDG 1000 Mission Systems Equipment Proposal Update	
Prepared For: Naval Sea Systems Command	
Contractor: Raytheon Company	
Report: \$10,638K Questioned Costs, \$72,067K Unsupported Costs	
The audit of parts (\$1.1 billion) of the cost-plus award-fee proposal for Mission Systems Equipment ship sets, and Dual Band Radar, resulted in \$10.6 million of questioned costs and \$72.1 million of unsupported costs. Questioned costs were the result of updated Forward Pricing Rate Agreements and purchase orders. Unsupported costs included inadequate support documentation and proposals from subcontractors.	
<b>Audit Report No. 9821-2008M27000005*</b>	Date: September 3, 2008
Subject: Examination of Parts of a Proposal	
Report: Proposal Not Acceptable: \$56k Questioned Costs, \$26.9M Unsupported Costs	
An audit of the \$216 million cost plus incentive and award fee proposal resulted in \$56 thousand in questioned costs and \$26.9 million of unsupported costs. An adverse opinion was issued based on the results of the technical evaluation. The technical evaluation stated the contractor did not support the proposed labor hours or material quantities.	
<b>Audit Report No. 1101-2008L21000007</b>	Date: September 5, 2008
Subject: Report on Audit of C-130J FY0C III, FY09 Tanker and FY06 & FY08 MY Savings Aircrafts	
Prepared For: United States Air Force/AFMC	
Contractor: Lockheed Martin Aeronautics Company - Marietta	
Report: \$11,706K Questioned Costs, \$5,247K Unsupported Costs	
The audit of the \$250 million firm-fixed-price proposal for C-130J FYOC III, FY09 Tanker resulted in \$11.8 million of questioned costs and \$5.2 million in unsupported costs. Questioned costs were the result of questioned hours based on an improvement curve analysis, overstated estimating factors and excess warranty costs. The unsupported costs were due to insufficient supporting documentation.	

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<b>Audit Report No. 1201–2008J27000022</b>	Date: September 5, 2008
Subject: Report on Audit of Parts of Pricing Proposal under, RFP No. N00039-08-R-0004	
Prepared For: Department of the Navy, SPAWAR HQ	
Contractor: Teledyne Brown Engineering	
Report: Questioned Direct and Indirect Rate, \$2,047K Unsupported Costs	
The audit of parts of the \$68 million cost-plus-fixed-fee, cost-plus-incentive fee, cost-reimbursable, firm-fixed-price proposal for Littoral Battlespace Sensing-Gliders resulted in questioned direct and indirect rates and \$2.1 million of unsupported costs. Questioned costs were based on differences between proposed rates and the National Salary Survey. Unsupported material costs were based on the lack of competitive quotes, cost analysis or justification.	

<b>Audit Report: 1721–2008D21000408</b>	Date: September 9, 2008
Subject: Audit of Proposal for CY 09 AND 10 A1B Development and CVN 79 Class Wide Propulsion Plant Planning, Extension of Bechtel Bettis	
Prepared For: U.S. Department of Energy	
Contractor: Newport News Shipbuilding and Dry Dock Company	
Report: \$10,234K Questioned Costs, \$2,842K Unsupported Costs	
The audit of the \$152.1 million cost-plus-fixed-fee proposal for 10 A1B Development and CVN 79 Class Wide Propulsion Plant Planning resulted in \$10.2 million of questioned costs and \$2.8 million of unsupported costs. Questioned costs were the result of inconsistent escalation factors, line items deleted, outdated quotes and unnecessary contingencies. Unsupported costs were the result of insufficient support documentation.	

<b>Audit Report No. 3541–2008A27000031</b>	Date: September 10, 2008
Subject: Audit Report on Parts of a Proposal - Cost Realism, TRICARE T3 Managed Care Support Services – South Region	
Prepared For: TRICARE Management Activity	
Contractor: UnitedHealth Military & Veterans Services	
Report: \$158,861K Overstated Costs	
The audit of parts of the \$1 billion fixed-price requirements proposal for realism for TRICARE T3 Managed Care Support Services resulted in \$158.9 million of overstated costs. The overstated costs were the result of using different full time equivalent labor hours to calculate the overhead, overstated depreciation included in the G&A rate, and overstated overhead applied to the G&A labor.	

<b>Audit Report No. 4231–2008H27000010</b>	Date: September 10, 2008
Subject: Report on Audit of Direct and Indirect Rates	
Prepared For: Department of the Navy, FISC San Diego	
Contractor: Digital Consulting Services	
Report: \$5,268K Questioned Costs, \$5,359K Unsupported Costs	
The audit of parts of the 33.5 million firm-fixed-price proposal for Support Services for Academic Programs at Naval Postgraduate School resulted in \$5.3 million of questioned costs and \$5.4 million of unsupported costs. Questioned costs were the result of overstated escalation and compensation costs, and associated indirect costs. Unsupported costs were the result of insufficient and inadequate supporting documentation.	

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<b>Audit Report: 1751–2008L21000003</b>	Date: September 12, 2008
Subject: Report of Audit of Firm-Fixed-Price Proposal for G-222 Product Support	
Prepared For: Department of the Air Force, WR-ALC/PKCFA	
Contractor: L-3 Communications Vertex Aerospace LLC	
Report: \$10,154K Questioned Costs	
The audit of the \$43.5 million firm-fixed-price proposal for G-222 product Support resulted in \$10.2 million questioned costs. The questioned costs were the result of overstated overtime hours and rates.	

<b>Audit Report: 6711–2008L27000041</b>	Date: September 12, 2008
Subject: Report on Part of a Proposal for F-16 (V) 9 IDIQ	
Prepared For: Defense Contract Management Agency – Northrop Grumman Baltimore	
Contractor: Northrop Grumman Corporation, Electronic Systems (ES)	
Report: \$12,915K Questioned Costs	
The audit of parts of the indefinite-delivery, indefinite-quantity proposal for basic hardware resulted in \$12.9 million of questioned costs. Questioned costs were the result of updated purchase order history, decrement factors and compliance with contractual agreements.	

<b>Audit Report: 3511– 2008B21000071</b>	Date: September 17, 2008
Subject: Report on Audit of Cost-Plus-Incentive Proposal for V-22 Joint Performance Based Logistics	
Prepared For: Naval Air Systems Command	
Contractor: Bell Helicopter-Textron, Inc.	
Report: \$21,886K Questioned Costs	
The audit of the \$329.9 million cost-plus-incentive proposal for V-22 Joint Performance Based Logistics Support resulted in \$21.9 million of questioned costs. Questioned costs were based on comparing proposed costs to historical labor hours and material costs, questioning proposed overtime, and applying indirect costs to the questioned labor and material.	

<b>Audit Report: 3711– 2008A42098002</b>	Date: September 17, 2008
Subject: Postaward Review of Right To Buy Costs on F-22, Lot 2	
Prepared For: Department of the Air Force, Aeronautical Systems Center	
Contractor: Lockheed Martin Aeronautics Company	
Report: \$10,258K Recommended Price Adjustment	
The post award review of the \$1.4 billion firm-fixed-price proposal for F-22 production Lot 2 support resulted in a recommended price adjustment of \$10.3 million. The recommended price adjustment was the result of “right to buy” parts included twice in the proposal and overstated material costs.	

<b>Audit Report: 3421–2008C22000002</b>	Date: September 19, 2008
Subject: Report on Audit of Firm Fixed Price Proposal for F-15 Structural Support, System Performance Based Logistics (PBL)	
Prepared For: Defense Supply Center Richmond	
Contractor: The Boeing Company, McDonnell Douglas Training and Support Systems	
Report: \$26,577K Questioned Costs, \$6,852K Unsupported Costs	
The audit of the \$152.9 million indefinite-delivery, indefinite-quantity proposal resulted in \$26.6 million of questioned costs and \$6.9 million of unsupported costs. Questioned costs included pricing errors, misrepresented quotes, and updated forward pricing rate agreements. Unsupported costs were the result of insufficient supporting documentation.	



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<b>Audit Report: 3511–2008L21000005</b>	Date: September 19, 2008
Subject: Report on Audit of GMLRS FRP IV	
Prepared For: U. S. Army Aviation and Missile Command	
Contractor: Lockheed Martin Missiles and Fire Control	
Report: \$67,400K Questioned Costs	
The audit of the \$665.2 million firm-fixed-price/cost-plus-fixed-fee proposal for the GMLRS FRP IV production buy resulted in \$67.4 million of questioned costs. Questioned costs were due to historical decrement factors, updated labor and fringe rates, and updated material cost data.	

<b>Audit Report: 3541–2008H21000009</b>	Date: September 19, 2008
Subject: Taiwan Navy P-3 Program Proposal No. E07TB016	
Prepared For: Naval Air Systems Command	
Contractor: Lockheed Martin Maritime Systems & Sensors - Tactical Systems	
Report: \$95,473K Questioned Costs, \$9,582K Unsupported Costs	
The audit of the \$760 million firm-fixed-price proposal for service life extension and modification of P-3C Aircraft and depot level maintenance resulted in \$95.5 million of questioned costs and \$9.6 million of unsupported costs. Questioned costs were the result of incorporating purchase order history and recommended direct and indirect rates. Unsupported costs were the result of inadequate support documentation.	

<b>Audit Report: 3141–2008C21000011</b>	Date: September 22, 2008
Subject: Report on Audit of Firm Fixed Price Subcontract to BAE Systems Proposal for LTAS Cab Frame and Doors	
Prepared For: Defense Contract Management Agency Ohio River Valley	
Subcontractor: McLaughlin Body Company	
Report: \$16,906K Questioned Costs	
The audit of the \$111.5 million firm-fixed-price proposal for Long Term Armor Strategy Cabs resulted in \$16.9 million of questioned costs. Questioned costs were due to the application of a material decrement factor for potential quantity discounts, updated escalation rates and updated material pricing data.	

<b>Audit Report: 3421–2008J22000001</b>	Date: September 22, 2008
Subject: Report on Application of Agreed-Upon Procedures to the Cost Plus Fixed Fee/Incentive Fee Proposal for F/A-18 System Configuration Sets	
Prepared For: Naval Air Warfare Center, Weapons Division	
Contractor: The Boeing Company, Integrated Defense Systems-Fixed Wing	
Report: \$10,378K Findings	
The application of agreed-upon procedures to the \$835.4 million indefinite delivery, indefinite quantity, cost-plus-fixed fee/incentive fee proposal for the F/A-18 System Configuration Sets contract resulted in \$10.4 million of findings. The findings were due to double counting labor hours, updated direct and indirect rates, and changes to the Resource Estimating Cost Relationship.	

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<b>Audit Report: 3901–2008F22000001</b>	Date: September 22, 2008
Subject: Audit Report on Orbital Sciences Corporation/Launch Services Group (LSG) ECP 419 Program Affordability Proposal	
Prepared For: DCMA Space & Missile Systems Division - Huntsville	
Subcontractor: Orbital Sciences Corporation/Launch Systems Group	
Report: \$158,538K Questioned Costs, \$48,129K Unsupported Costs	
The audit of the \$302.7 million cost-plus-award-fee proposal for ECP 419 Program Affordability for a Boeing Ground-Based Midcourse Defense subcontract resulted in \$158.5 million of questioned and \$48.1 million of unsupported costs. The majority of the questioned costs were due to the subcontractor including costs which the Government directed the prime contractor to exclude. Additional questioned costs were the result of updated rates and escalation factors. Unsupported costs were the result of inadequate support documentation and costs based on engineering estimates.	
<b>Audit Report: 2191–2008I21000024</b>	Date: September 23, 2008
Subject: Report on Audit of Antenna LRU IDIQ Proposal	
Prepared For: Defense Contract Management Agency, Northrop Grumman Baltimore	
Contractor: IAI Elta Systems Ltd.	
Report: \$15,158K Questioned Costs	
The audit of the \$118.1 million indefinite delivery, indefinite quantity firm-fixed-price proposal for F-16 Antennas resulted in \$15.2 million of questioned costs. Questioned costs were the result of updated purchase order quotes, overstated escalation, excessive rental car expenses, and the differences between the proposed direct labor rates and the current forward pricing rate agreement.	
<b>Audit Report: 4141–2008F27000001</b>	Date: September 24, 2008
Subject: Cost Realism Report on Parts of a Proposal – Health Net Federal Services (HNFS), TRICARE T3 Managed Care Support Services- North Region	
Prepared For: TRICARE Management Activity	
Contractor: Health Net Federal Services, LLC	
Report: \$68,565K Questioned Costs	
The audit of parts of the \$19.2 million cost realism proposal resulted in \$68.6 million of questioned costs. Questioned costs were the result of overstated escalation factors in calculating direct labor rates, and overstated overhead and G&A as a result of the increased labor base.	
<b>Audit Report: 4421–2008A21000024</b>	Date: September 24, 2008
Subject: Report on Audit of Raytheon Space and Airborne Systems (SAS)' AN/APG-79 AESA Radars for F/A-18E/F Retrofit II Proposal	
Prepared For: Department of the Navy, Naval Air Systems Command	
Contractor: Raytheon Company, Space and Airborne Systems	
Report: \$4,943K Questioned Costs, \$6,440K Unsupported Costs	
The audit of the \$72.5 million firm-fixed-price proposal for AESA Radars for F/A-18E/F Retrofit II resulted in \$4.9 million of questioned costs and \$6.4 million of unsupported costs. Questioned costs were the result of updated purchase order history, overstated escalation, nonrecurring costs in the expense pools and differences in audit verified rates. Unsupported material and subcontract costs were due to inadequate supporting documentation.	

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<b>Audit Report No. 9741-2008G27000008*</b>	Date: September 24, 2008
Subject: Examination of Parts of a Proposal	
Report: \$19.6M Unsupported Costs	
An audit of the \$19.6 million Interdivisional Work Authorization proposal for interface with ground infrastructure support services resulted in \$19.6 million of unsupported costs. DCAA was requested to perform an assist audit. A disclaimer of opinion was issued due to no supporting documentation. The contractor's Houston operation priced IWA proposal and the Houston operation have been suspended until recovery from Hurricane Ike damage. Despite numerous attempts to contact the contractor, standard support necessary to perform the audit has not been received.	

<b>Audit Report: 3521-2008J22000001</b>	Date: September 26, 2008
Subject: Review of Seven Q Seven's Re-Engineering Program Proposal	
Prepared For: Department of the Air Force, Headquarters, Electronic Systems Center	
Subcontractor: Seven Q Seven, LTD	
Report: \$126,793K Questioned Costs	
The audit of the \$146.4 million firm-fixed-price proposal for Deferred Independent Research and Development costs resulted in \$126.8 million of questioned costs. Questioned costs were the result of proposed invoice costs unrelated to program, unallowable design fees and investment costs, unreasonable lease costs and a loan payment not applicable to the program.	

<b>Audit Report: 3541-2008O21000009</b>	Date: September 26, 2008
Subject: Report on Audit of Oshkosh Corporation – Truck Division's Family of Heavy Tactical Vehicles (FHTV) III, Proposal	
Prepared For: U.S. Army Tank-Automotive & Armaments Command	
Contractor: Oshkosh Corporation	
Report: \$129,486K Questioned Costs	
The audit of the \$2.4 billion firm-fixed-price proposal for Expanded Mobility Tactical Trucks and HEMTTs resulted in \$129.5 million of questioned costs. Questioned costs were the result of lower bids and vendor pricing, reduced escalation, overstated matrix material adders, updated indirect rates and unallowable Federal Excise Tax.	

<b>Audit Report No. 9731-2008B21000004*</b>	Date: September 26, 2008
Subject: Examination of Proposal	
Report: Proposal Not Adequate: \$21.2M of unsupported costs	
An audit of a \$54.7 million cost-plus-award-fee/fixed-price-award-fee proposal resulted in \$21.2 million of unsupported costs. Of the total unsupported, \$2.9 million related to direct material and ODC costs. These costs were unsupported as the contractor did not provide supporting documentation. The remaining \$18.2 million were a result of unsupported subcontract costs. The audit determined that none of the subcontractor's provided proposals to the prime contractor for these costs. Instead, the prime contractor proposed these costs on behalf of the subcontractors without their knowing. In addition, the auditor was not provided with any supporting documentation to show how the prime contractor arrived at the subcontract costs proposed.	

\* Information has been withheld in accordance with the requirements of section 552(b) of title 5, United States Code. It is available in the classified Annex.

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**Section 845 Annex of Audit Reports with Significant Findings**  
**April 1, 2008 - September 30, 2008**  
**DCAA Reports**

<b>Audit Report: 2201–2008F21000013</b>	Date: September 29, 2008
Subject: Report on Audit of Firm Fixed Price Proposal for Bomb Rack Units 46 and 47	
Prepared For: Department of the Air Force, Headquarters Warner Robins Air Logistics Center	
Contractor: EDO Corporation, Defense Systems Division	
Report: \$11,267K Questioned Costs, \$2,254K Unsupported Costs	
The audit of the \$45.3 million firm-fixed-price proposal for Bomb Rack Units resulted in \$11.3 million of questioned costs and \$2.3 million of unsupported costs. Questioned costs were the result of overstated escalation rates, updated purchase order history, and unallowable freight costs.	



# Inspector General Department of Defense

